

**House Study Bill 65 - Introduced**

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON KAUFMANN)

**A BILL FOR**

1 An Act relating to the determination of market value for  
2 property tax assessment purposes and including applicability  
3 provisions.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 441.21, subsection 1, paragraph b,  
2 subparagraph (1), Code 2023, is amended to read as follows:

3 (1) (a) The actual value of all property subject to  
4 assessment and taxation shall be the fair and reasonable market  
5 value of such property except as otherwise provided in this  
6 section. "*Market value*" is defined as the fair and reasonable  
7 exchange value-in-exchange of the fee simple interest of the  
8 property in the year in which the property is listed and valued  
9 between a willing buyer and a willing seller, neither being  
10 under any compulsion to buy or sell and each being familiar  
11 with all the facts relating to the particular property and does  
12 not include an exchange that is value-in-use. Sale prices of  
13 the property or comparable property in ~~normal~~ transactions  
14 reflecting market value, and the probable availability  
15 or unavailability of persons interested in purchasing the  
16 property, shall be taken into consideration in arriving at its  
17 market value. In arriving at market value, sale prices of  
18 property in ~~abnormal~~ transactions not reflecting market value  
19 shall not be taken into account, ~~or~~. If, however, transactions  
20 reflecting market value of the property or comparable property  
21 are not available, transactions not reflecting market value  
22 may be used, but shall be adjusted to eliminate the effect of  
23 factors which distort market value, including but not limited  
24 to build-to-suit, sale-leaseback transactions; leased fee  
25 sales; sales to involving immediate family of the seller, or  
26 related parties; foreclosure or other forced sales; contract  
27 sales; discounted purchase transactions; or purchase of  
28 adjoining land or other land to be operated as a unit.

29 (b) "*Fee simple*" means absolute ownership unencumbered by  
30 any other interest or estate, subject only to the limitations  
31 imposed by the governmental powers of taxation, eminent domain,  
32 police power, and escheat.

33 Sec. 2. Section 441.21, subsection 2, Code 2023, is amended  
34 to read as follows:

35 2. In the event market value of the property being assessed

1 cannot be readily established in the foregoing manner, then  
2 the assessor may determine the value of the property using  
3 the other uniform and recognized appraisal methods including  
4 its productive and earning capacity, if any, industrial  
5 conditions, its cost, physical and functional depreciation  
6 and obsolescence and replacement cost, and all other factors  
7 which would assist in determining the fair and reasonable  
8 market value of the property but the actual value shall not  
9 be determined by use of only one such factor. The following  
10 shall not be taken into consideration: ~~Special value or use~~  
11 ~~value, value-in-use, or present use~~ of the property ~~to its~~  
12 ~~present owner~~, and the intangibles, goodwill, or going concern  
13 value of a business which uses the property as distinguished  
14 from the value of the property as property. In addition,  
15 for assessment years beginning on or after January 1, ~~2018~~  
16 2024, and unless otherwise required for property valued by the  
17 department of revenue pursuant to chapters 428, 433, 437, and  
18 438, the assessor shall not take into consideration and shall  
19 not request from any person property insurance policies; loan,  
20 mortgage, or other financing information; franchise agreements;  
21 sales or receipts data; expense data; balance sheets; bank  
22 account information; or other data related to the financial  
23 condition of a business operating in whole or in part on the  
24 property if the property is ~~both~~ classified as commercial or  
25 industrial property ~~and owned and used by the owner of the~~  
26 ~~business~~. However, in assessing property that is rented or  
27 leased to low-income individuals and families as authorized by  
28 section 42 of the Internal Revenue Code, as amended, and which  
29 section limits the amount that the individual or family pays  
30 for the rental or lease of units in the property, the assessor  
31 shall, unless the owner elects to withdraw the property from  
32 the assessment procedures for section 42 property, use the  
33 productive and earning capacity from the actual rents received  
34 as a method of appraisal and shall take into account the extent  
35 to which that use and limitation reduces the market value of

1 the property. The assessor shall not consider any tax credit  
2 equity or other subsidized financing as income provided to  
3 the property in determining the assessed value. The property  
4 owner shall notify the assessor when property is withdrawn  
5 from section 42 eligibility under the Internal Revenue Code  
6 or if the owner elects to withdraw the property from the  
7 assessment procedures for section 42 property under this  
8 subsection. The property shall not be subject to section 42  
9 assessment procedures for the assessment year for which section  
10 42 eligibility is withdrawn or an election is made. This  
11 notification must be provided to the assessor no later than  
12 March 1 of the assessment year or the owner will be subject to a  
13 penalty of five hundred dollars for that assessment year. The  
14 penalty shall be collected at the same time and in the same  
15 manner as regular property taxes. An election to withdraw  
16 from the assessment procedures for section 42 property is  
17 irrevocable. Property that is withdrawn from the assessment  
18 procedures for section 42 property shall be classified and  
19 assessed as residential property unless the property otherwise  
20 fails to meet the requirements of [subsection 14](#). Upon  
21 adoption of uniform rules by the department of revenue or  
22 succeeding authority covering assessments and valuations of  
23 such properties, the valuation on such properties shall be  
24 determined in accordance with such rules and in accordance with  
25 forms and guidelines contained in the real property appraisal  
26 manual prepared by the department as updated from time to time  
27 for assessment purposes to assure uniformity, but such rules,  
28 forms, and guidelines shall not be inconsistent with or change  
29 the foregoing means of determining the actual, market, taxable  
30 and assessed values.

31 Sec. 3. APPLICABILITY. This Act applies to assessment years  
32 beginning on or after January 1, 2024.

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EXPLANATION

34 The inclusion of this explanation does not constitute agreement with  
35 the explanation's substance by the members of the general assembly.

1 Code section 441.21 generally governs the assessment of  
2 property for property tax purposes and provides that the actual  
3 value of all property subject to assessment and taxation shall  
4 be the fair and reasonable market value of such property except  
5 as provided in that Code section. "Market value" is defined  
6 as the fair and reasonable exchange in the year in which the  
7 property is listed and valued between a willing buyer and a  
8 willing seller, neither being under any compulsion to buy  
9 or sell and each being familiar with all the facts relating  
10 to the particular property. Sale prices of the property or  
11 comparable property in normal transactions reflecting market  
12 value, and the probable availability or unavailability of  
13 persons interested in purchasing the property, shall be taken  
14 into consideration in arriving at its market value. However,  
15 sale prices of property in abnormal transactions not reflecting  
16 market value shall not be taken into account.

17 This bill modifies the definition of "market value" to be  
18 the fair and reasonable value-in-exchange of the fee simple  
19 interest of property in the year in which the property is  
20 listed and valued between a willing buyer and a willing seller,  
21 neither being under any compulsion to buy or sell and each  
22 being familiar with all the facts relating to the particular  
23 property, but excluding an exchange that is value-in-use. The  
24 bill includes a definition of fee simple.

25 The bill also modifies the conditions under which  
26 transactions that do not reflect market value may be used  
27 by the assessor. Under the bill, in arriving at market  
28 value, sale prices of property in transactions not reflecting  
29 market value shall not be taken into account. If, however,  
30 transactions reflecting market value of the property or  
31 comparable property are not available, transactions not  
32 reflecting market value may be used, but shall be adjusted to  
33 eliminate the effect of factors which distort market value.  
34 The bill adds build-to-suit, sale-leaseback transactions, and  
35 leased fee sales to the list of such transactions and modifies

1 the provision governing the use of sales to immediate family  
2 of the seller.

3 The bill also modifies Code section 441.21(2), which  
4 specifies that in the event market value of the property being  
5 assessed cannot be readily established using transaction data,  
6 then the assessor may determine the value of the property using  
7 the other uniform and recognized appraisal methods including  
8 its productive and earning capacity, if any, industrial  
9 conditions, its cost, physical and functional depreciation and  
10 obsolescence and replacement cost, and all other factors which  
11 would assist in determining the fair and reasonable market  
12 value of the property, so long as the actual value is not to be  
13 determined by use of only one such factor. The bill adds to the  
14 prohibited considerations the value-in-use or present use of  
15 the property, intangibles, or going concern value of a business  
16 which uses the property. The bill also adds property insurance  
17 policies; loan, mortgage, or other financing information; and  
18 franchise agreements to the list of prohibited considerations  
19 and things that may not be requested by the assessor and  
20 modifies conditions for other items prohibited under current  
21 law.